Yahoo! shares surge on takeover reports

November 9 2010

The Yahoo homepage is seen on a computer screen in Washington, DC. Yahoo! shares surged on Wall Street on Tuesday as takeover reports swirled around the Internet giant.

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Yahoo! shares were up 5.75 percent in early trading at 17.39 dollars.

AOL is reported to be among the firms eyeing the possibility of buying Yahoo! and the New York Post said Tuesday that private equity giant KKR is interested in either taking Yahoo! private or helping finance a deal.

The Post said KKR's interest in Yahoo! is separate from that of other private equity firms that have held preliminary discussions with AOL about a possible tie-up with Yahoo!

"The Valley is convinced Yahoo! will be sold. The blood is in the water," the newspaper quoted an unidentified "Silicon Valley insider" as saying. "Yahoo! is in play."

Yahoo! chief executive Carol Bartz has been seeking to carve out an identity for Yahoo! as it struggles to compete with Google and Facebook but the Sunnyvale, California company's share price has been largely stagnant since she took over.

The Post said a bid for Yahoo! would have to be in the range of 25 billion dollars "which is a big number for any private-equity firm to raise on its own."

The Wall Street Journal reported over the weekend that AOL has hired financial advisers to explore various strategic options for the company including a possible tie-up with Yahoo!, its much bigger rival.

The Journal said there had been no formal talks between the companies.

It also noted that an AOL-Yahoo! deal would be complex, in part because of difficulty in spinning off Yahoo's Asian assets, which include stakes in Yahoo! Japan and China's Alibaba Group.

AOL is seeking a revival as an online content company and has been on an acquisition spree lately.

In September, AOL acquired TechCrunch, a leading Silicon Valley technology blog, Web video syndication firm 5min Media and Thing Labs, the company behind the Brizzly family of Web-based social software for sharing content.

AOL merged with Time Warner in 2001 at the height of the dot-com boom in what is considered one of the most disastrous mergers ever and was spun off by Time Warner in December into an independent company.

AOL chief executive Tim Armstrong has embarked on an aggressive round of cost-cutting since taking the reins at AOL last year and has said he plans to refocus the company on "content, ads and communications."